

DEC 30 1981 -2 25 PM

INTERSTATE COMMERCE COMMISSION

Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

No. DEC 30 1981
Date
Fee \$ 50.00

Dear Ms. Mergenovich:

Washington, D. C.

Enclosed for recordation under the provisions of Section 11303(a) of Title 49 of the U.S. Code are the original and three counterparts of a Conditional Sale Agreement dated as of December 1, 1981. This Conditional Sale Agreement is a primary document.

A general description of the ~~locomotives and~~ railroad cars covered by the enclosed document and intended for use related to interstate commerce is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties to the Conditional Sale Agreement are as follows:

Vendor: EMCOB, INC.
327 South LaSalle Street
Chicago, Illinois 60604

Vendor: Jefferson Standard Life Insurance Company
P. O. Box 21008
Greensboro, North Carolina 27420

The undersigned is the Vendor mentioned in the enclosed document and has knowledge of the matters set forth therein.

Please return the original and two copies of the Conditional Sale Agreement to Larry Elkins, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

A short summary of the enclosed primary document to appear in the Index as follows:

Conditional Sale Agreement between EMCOB, INC., as Vendor, 327 South LaSalle Street, Chicago, Illinois 60604, and Jefferson Standard Life Insurance Company, P. O. Box 21008, Greensboro, North Carolina 27420 covering 75 boxcars.

Very truly yours,

EMCOB, INC.

By John H. O'Connell
Its

VENDOR AS AFORESAID

Enclosures

DEC 30 2 17 PM '81

Counterpart - C.T. Rappler

DESCRIPTION OF EQUIPMENT	75 50'6" 70-ton type boxcars
ORIGINAL CAR MARKS AND NUMBERS	MNJ 120618 through 120692, both inclusive
NEW CAR MARKS AND NUMBERS	CPAA 204614 through 204688, both inclusive
PURCHASE PRICE	\$16,641.61 per item (\$1,248,120.75 for 75 items)
OUTSIDE DELIVERY DATE TO CANADIAN PACIFIC	February 28, 1982 (or such other date as the parties hereto shall agree)

Interstate Commerce Commission
Washington, D.C. 20423

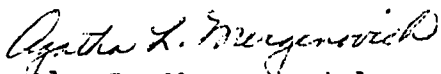
OFFICE OF THE SECRETARY

Larry Elkins, Esq.
Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/30/81 at 2:25PM, and assigned re-recording number(s). 13398

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. 13398
FILED 1981

DEC 30 1981 -2 25 PM

Matter No. 35055-3

INTERSTATE COMMERCE COMMISSION

CONDITIONAL SALE AGREEMENT

Dated as of December 1, 1981

Between

JEFFERSON STANDARD LIFE INSURANCE COMPANY

Seller

and

EMCOB, INC.

Buyer

Re:

18% Conditional Sale Indebtedness
Due 1982-1997

of

EMCOB, INC.

(Emons No. 81-2)
(75 Boxcars)

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ATTACHMENTS TO CONDITIONAL SALE AGREEMENT:

Schedule A -- Description of Equipment
Schedule B -- Supplement to Conditional Sale Agreement
Schedule C -- Amortization Schedule

CONDITIONAL SALE AGREEMENT

CONDITIONAL SALE AGREEMENT dated as of December 1, 1981 between JEFFERSON STANDARD LIFE INSURANCE COMPANY, a North Carolina corporation (the "Seller") and EMCOD, INC., a Delaware corporation (the "Company");

WHEREAS, the Seller is the owner of 75 boxcars more fully described in Exhibit A attached hereto (collectively the "Equipment" or "Items" and individually "Item of Equipment" or "Item") and the Company has proposed that the Seller conditionally sell the Equipment to the Company under terms and conditions more fully herein provided;

WHEREAS, the Company has advised the Seller that it intends to utilize the Equipment by leasing the same to North American Car Corporation ("NAC") and that NAC will in turn sublease all such cars to Canadian Pacific Limited ("Canadian Pacific");

WHEREAS, NAC and Canadian Pacific have heretofore entered into a Lease Agreement dated as of August 5, 1981 (the "CP Lease") providing for the lease of 450 boxcars, and the Equipment is to be included as a portion of the cars leased thereunder;

WHEREAS, Emons Industries, Inc. ("Emons Industries"), the owner and holder of all of the outstanding capital stock of the Company, and NAC have heretofore entered into a Lease Agreement dated as of September 30, 1981 (the "Original NAC Lease") providing for the lease of 450 boxcars which NAC is to deliver and lease, as sublessor, to Canadian Pacific under the CP Lease;

WHEREAS, it is contemplated that Emons Industries, the Company, EMCOD, Inc. ("EMCOD"), a corporation affiliated with the Company, and NAC will enter into a Lease Amendment and Assignment (the "Lease Amendment") pursuant to which all such parties agree to treat the Original NAC Lease as three separate and distinct Lease Agreements, one covering 325 cars, one covering 75 cars (being the Equipment) and the third covering 50 cars, with said Lease Agreement covering 325 cars continuing in effect between NAC and Emons Industries and each of the other Lease Agreements being assigned, as to the lessor's interest thereunder, in the case of the Lease Agreement covering 50 cars, to EMCOD, and in the case of the Lease Agreement covering the Equipment, to the Company (said separate and distinct Lease Agreement between NAC and the Company covering the Equipment being hereinafter referred to as the "NAC Lease");

WHEREAS, pursuant to the Lease Amendment, NAC will agree to a proportional allocation of rental and other proceeds received by it from Canadian Pacific under the CP Lease among all of the cars leased thereunder in accordance with a car proration formula contained in the Lease Amendment;

WHEREAS, it is contemplated that NAC will agree under the Lease Amendment to pay as rental and other sums due in respect

of the Equipment under the NAC Lease, the rental and other proceeds allocated to the Equipment pursuant to the proration formula contained in the Lease Amendment (less 2% of the "Net CP Rental Revenues", as defined in the NAC Lease);

WHEREAS, it is contemplated that NAC will agree pursuant to the Lease Amendment to the assignment by the Company of said rental and other sums payable by NAC under the NAC Lease to the Seller as security for the obligations of the Company hereunder and to the payment thereof to a bank or trust company in Chicago, Illinois designated by the Seller (the "Trustee") pursuant to a Trust Agreement (the "Trust Agreement") under which the Trustee will apply said rental and other sums to the payment, or reimbursement of payment, of certain costs and expenses relating to the Equipment and to the payment of the installments of Conditional Sale Indebtedness and accrued interest thereon when due hereunder;

WHEREAS, the Seller, in ~~expectation of completing~~ ^{connection with} the conditional sale of the Equipment to the Company in accordance with the terms and conditions of a Closing Agreement dated as of December 1, 1981 (the "Closing Agreement") between the Seller and the Company has heretofore permitted Emons Industries to conduct an inspection of the Equipment and, immediately upon execution and delivery hereof and of the Closing Agreement and an Agency Agreement dated as of December 1, 1981 between the Seller and Emons Industries (the "Agency Agreement"), will permit Emons Industries to take possession of the Equipment in order for Emons Industries, as agent for the Seller but at the initial cost and expense of Emons Industries, to cause the markings on the Equipment to be changed from the original car marks and numbers thereof to the new car marks and numbers in each case as identified in Schedule A hereto and to be prepared for service (including the arranging by Emons Industries as Seller's agent for Equipment repairs, and to be transported to trackage of Canadian Pacific at a mutually agreeable interchange point so that the Equipment may be delivered and accepted by Canadian Pacific under the CP Lease, with the cost and expense of all such repair, restencilling and transportation to be borne in the manner provided in the Agency Agreement;

WHEREAS, the Seller is willing to sell and deliver to the Company and the Company is willing to purchase all of the Items of Equipment in accordance with the terms and provisions hereof;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. SALE OF EQUIPMENT.

Subject to the terms and conditions set forth herein and in the Closing Agreement, the Seller will sell and deliver to the Company, and the Company will purchase from the Seller and accept

delivery of and pay for as hereinafter provided, the Items of Equipment referred to in Schedule A attached hereto.

SECTION 2. DELIVERY.

2.1. On or prior to the Closing Date (as defined in the Closing Agreement and hereinafter referred to as the "Closing Date"), the Company will, by an officer or other authorized representative, accept delivery hereunder of all of the Items of Equipment, subject only to the obligation of reconveyance provided in Section 2.5 hereof, and deliver to the Seller written evidence of such acceptance hereunder.

2.2. It is contemplated that, following the Closing Date, arrangements will be made to complete execution and delivery of the Lease Amendment and the Trust Agreement in form and substance satisfactory to both the Seller and the Company and their respective counsel and to obtain such other supporting documentation and to complete such filings and recordations as any such party shall deem appropriate. Pursuant to the Agency Agreement, Emons Industries is prohibited from delivering any Items of Equipment to Canadian Pacific for acceptance under the CP Lease unless and until all such arrangements have been completed. Following the completion of such arrangements, Emons Industries, as agent for the Seller, will deliver the Equipment to Canadian Pacific for acceptance under the CP Lease. Unless the parties hereto and Emons Industries shall agree upon another satisfactory date, such delivery to Canadian Pacific shall be completed not later than February 28, 1981.

2.3. The Seller shall bear the risk of loss of an Item of Equipment or damage thereto until delivery to and acceptance by Canadian Pacific under the CP Lease. Upon delivery and acceptance by Canadian Pacific under the CP Lease of an Item of Equipment, the risk of loss of or damage to such Item shall be governed by the terms and provisions of the CP Lease.

2.4. The Seller shall on the Closing Date provide to the Company a bill of sale for the Items of Equipment. Said Bill of Sale shall transfer to the Company title to the Items of Equipment delivered and accepted hereunder and shall warrant to the Company that at the time of delivery and acceptance hereunder the Seller had legal title to such Items of Equipment and good and lawful right to sell the same and title to such Items was free of all claims, liens and encumbrances, except only those arising by, through or under the Company, NAC or Canadian Pacific.

2.5. In the event that on or prior to February 28, 1982, or such other date as the parties hereto shall agree, for any reason Canadian Pacific shall have failed to accept any Item of Equipment under the CP Lease (including, without limitation, the failure to complete documentation pursuant to Section 2.2 hereof which prevents the tender of Equipment to Canadian Pacific), then on March 1, 1982, or such other date as the parties hereto shall agree, the Company (without any payment or further act on

the part of the Seller), shall convey to the Seller all of its right, title and interest in and to such Item. To evidence such conveyance, the Company shall provide to the Seller a Bill of Sale for such Item transferring title thereto and shall warrant to the Seller that the Company had legal title to such Item and good and lawful right to sell the same and title to such Item was free of all claims, liens and encumbrances except only those arising by, through or under the Seller. The Company will, in its individual capacity, arrange for the return of such Item and share equally with the Seller the expense thereof. To evidence to the Seller that any Item has been delivered to and accepted by Canadian Pacific under the CP Lease, the Company will obtain from an officer of Canadian Pacific, written confirmation of such delivery and acceptance and, not later than April 1, 1982, or such other date as the parties hereto shall agree, will deliver the same to the Seller.

SECTION 3. PURCHASE PRICE AND PAYMENT.

3.1. The base price per Item of Equipment, including interest, is as set forth in Schedule A attached hereto and hereinafter referred to as the "Purchase Price".

3.2. The Company hereby acknowledges itself to be indebted to the Seller in the amount of, and hereby promises to pay to the Seller by wire transfer to such bank or trust company in the United States as the Seller or its assignee shall designate for payment to it in funds immediately available at such place of payment, the Purchase Price of each Item of Equipment delivered and accepted hereunder plus interest on the unpaid balance thereof from and after the first day of the third calendar month following the month in which said Item is delivered and accepted by Canadian Pacific under the CP Lease at a rate equal to 18% per annum payable as follows:

(1) One hundred seventy-nine (179) equal monthly installments each in an amount equal to \$268, the first such installment to be payable on the first day of the calendar month following the month in which said interest commenced to accrue and the remaining such installments to be payable on the first day of each consecutive month thereafter, followed by

(2) A final installment, payable on the first day of the next following month in an amount equal to the entire principal of and interest remaining unpaid on the Purchase Price on said date.

The principal portion of the aforesaid installments is sometimes herein referred to as the Conditional Sale Indebtedness. The number of installments required to be made hereunder is subject to reduction in accordance with Section 3.7 below in the event of any partial prepayment of Conditional Sale Indebtedness.

3.3. The term "business days" as used herein means calendar days, excluding Saturdays, Sundays and holidays on which banks in the States of North Carolina or Illinois are authorized or required to close. If any date on which a payment is to be made hereunder is not a business day, the amount otherwise payable on such date shall be payable on the next succeeding business day, and no interest on such amount shall accrue for the period from and after the nominal date for payment thereof to such next succeeding business day.

3.4. Interest under this Agreement shall be determined on a basis of a 360-day year of twelve 30-day months.

3.5. Interest will continue to accrue at the rate of 18% per annum upon all unpaid balances of indebtedness and (to the extent legally enforceable) upon interest, after the same shall have become due and payable pursuant to the terms hereof, anything herein to the contrary notwithstanding.

3.6. All payments provided for in this Agreement shall be made by the Company in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

3.7. The Company shall have the right to make voluntary prepayments of the Conditional Sale Indebtedness, either in whole or in part without premium or penalty, at any time and from time to time on not less than two business days' written notice. Mandatory prepayments of the Conditional Sale Indebtedness shall be made from time to time by the Trustee on behalf of the Company to the extent required by Trust Agreement. Any partial prepayment of Conditional Sale Indebtedness shall include accrued interest on the principal amount being prepaid to the date of such prepayment. The principal amount of any such partial prepayment shall be applied to installments of the Conditional Sale Indebtedness in inverse order of the maturity thereof, with the effect that such partial prepayment will not result in any modification of the Company's obligation pursuant to Section 3.2 above to pay to the Seller equal monthly installments of \$268 per Item of Equipment until the Purchase Price, plus interest on the unpaid balance thereof as provided in Section 3.2 above, has been paid in full, but shall operate only (i) to reduce the amount of, or to discharge in full (depending on the amount of such prepayment), the final installment or installments required to be made by the Company pursuant to Section 3.2 above and (ii) to cause the allocation between principal and interest of each installment paid by the Company hereunder subsequent to the making of any partial prepayment to be modified from that set forth in Schedule C [original amortization schedule] hereto in order to reflect the reduction in the interest payable, and the corresponding increase in the principal payable, after giving effect to such partial prepayment.

3.8. The Company agrees that it will, not later than the Closing Date, deliver to the Seller and the Trustee two copies of an amortization schedule setting forth the amortization of Conditional

Sale Indebtedness and accrued interest thereon as initially provided in this Conditional Sale Agreement. The Company further agrees that it will, in connection with any mandatory or voluntary prepayment hereunder, deliver to the Seller and the Trustee two copies of a revised amortization schedule setting forth the amortization of Conditional Sale Indebtedness and accrued interest thereon after giving effect to such prepayment.

SECTION 4. TITLE TO THE EQUIPMENT.

4.1. The Seller shall and hereby does retain a security interest in the Equipment until the Company shall have made all of the payments hereunder and shall have kept and performed all its agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Company as herein provided. Any and all additions to the Equipment and any and all replacements of the Equipment and of parts thereof and additions thereto shall constitute accessions to the Equipment and shall be subject to all terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

4.2. When and only when the Seller shall have been paid in full the indebtedness in respect of the Purchase Price of the Equipment, together with interest and all other payments as herein provided and all the Company's other obligations herein contained shall have been performed, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Company without further transfer or action on the part of the Seller except that the Seller, if requested by the Company so to do, will execute a release of its security interest in the Equipment to the Company or upon its order free of all liens and encumbrances created or retained hereby and deliver such release to the Company at its address specified in Section 21 hereof, and will execute in the same manner and deliver at the same place, for filing, registering, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the title of the Company to the Equipment and the release of the security interest of the Seller, and will pay to the Company any money paid to the Seller, pursuant to Section 6 hereof and not theretofore applied as therein provided. The Company hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such releases and other instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such releases and other instruments or to file such certificate within a reasonable time after written demand by the Company.

SECTION 5. MARKING OF EQUIPMENT.

5.1. Subject to the provisions of Section 1.2 of the Closing Agreement concerning the initial marking and numbering

of the Equipment, the Company will cause each Item of Equipment to be kept numbered with the new mark and number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon both sides of each Item of Equipment in letters not less than one inch in height, the words "Unit Subject to Security Interest of the Seller under Conditional Sale Agreement Recorded with the I.C.C.", with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the security interest of the Seller in such Item of Equipment, its rights under this Agreement and the rights of any assignee under Section 14 hereof. The Company will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced, obliterated or destroyed. The Company will not change the road number of any Item of Equipment except in accordance with a statement of new road numbers to be substituted therefor, which statement previously shall have been filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited with a copy thereof delivered to the Seller together with an opinion of counsel to the effect that such filing, recordation or deposit in such offices shall continue the protection and perfection of the security interest of the Seller in the Equipment to the same extent as if no such change of road number shall have been made.

5.2. Except as above provided, the Company will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Company may cause the Equipment to be lettered with the names or initials or other insignia customarily used by Canadian Pacific or other lessee pursuant to Section 9.1 hereof and/or the Company or their affiliates on railroad equipment used by Canadian Pacific or other lessee pursuant to Section 9.1 hereof and/or the Company for convenience of identification of the right of such parties to use the Equipment.

SECTION 6. CASUALTY OCCURRENCES; INSURANCE.

6.1. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or irreparably damaged, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise (each such occurrence, except for any requisition which by its terms is indefinite or does not extend beyond the due date of the final installment under Section 3.2 hereof, being hereinafter called a "Casualty Occurrence"), prior to the payment of the indebtedness in respect of the Purchase Price of such Item, together with interest thereon and all other payments required hereby, the Company shall, within ten days after it shall have knowledge that such Item of Equipment has suffered a Casualty Occurrence, fully inform the Seller in regard thereto.

6.2. In the event that prior to the due date of the final installment under Section 3.2 hereof, the use of any Item

of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period ending on or before said date, the Company's duty to pay the indebtedness in respect of the Purchase Price thereof shall continue for the duration of such requisitioning or taking. All sums payable for any such period by such governmental authority as compensation for requisition or taking of possession shall be paid to the Trustee or, if paid to the Company, the Company will promptly pay such sums to the Trustee.

6.3. The Company will at such times after delivery and acceptance of each Item of Equipment as are required pursuant to Section 6.4 hereof, and at its own expense, keep or cause to be kept each such Item insured both as to property insurance and public liability insurance by a reputable insurance company or companies in amounts and against risks customarily insured against by private car management companies on similar equipment and in any event in amounts and against risks insured against by the Company in respect of similar equipment owned or leased by it and the benefits thereof shall be payable to the Company and the Seller as their interests may appear. All property insurance shall provide that losses, if any, shall be payable (except as provided below) to the Seller under a standard mortgage loss payable clause. All policies of insurance maintained pursuant to this Section shall provide that 30 days' prior written notice of cancellation or material alteration of coverage shall be given to the Seller and the Company. All proceeds of insurance received by the Seller with respect to any Items of Equipment not suffering a Casualty Occurrence shall be paid to the Company upon proof satisfactory to the Seller that any damage thereto with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Seller with respect to a Casualty Occurrence shall be credited toward the prepayment of indebtedness in respect of the Purchase Price, plus accrued and unpaid interest thereon.

6.4. The Company shall not be required to maintain the insurance coverage provided in Section 6.3 hereof as to any Item of Equipment during any period that such Item is subject to the terms and provisions of (i) the CP Lease (unless Canadian Pacific is then unable to provide, for its then last preceding annual fiscal period, financial statements without audit qualifications, in which case such coverage is to be maintained by the Company), and (ii) a lease, other than the CP Lease, pursuant to Section 9.2 hereof with a common carrier lessee whose equipment obligations are then rated "A" or better by a nationally recognized rating service. Unless the Company shall then be relieved of the obligation to maintain the insurance coverage provided in Section 6.3 hereof by the preceding sentence, it shall maintain such coverage.

SECTION 7. TAXES.

All payments to be made by the Company hereunder will be free of expense to the Seller for collection or other charges and

will be free of expense to the Seller in respect of the amount of any local, state or federal taxes, license and registration fees, assessments, charges, fines, penalties, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of the Equipment, and other taxes, fees and governmental charges similar or dissimilar to the foregoing (other than net income, excess profits and similar taxes and any interest or penalties relating thereto) hereafter levied or imposed upon, or measured by, this Agreement or any sale, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which expenses, taxes and licenses the Company assumes and agrees to pay on demand in addition to the indebtedness in respect of the Purchase Price of the Equipment, but only to the extent such expenses, taxes and licenses are attributable to the Equipment or the transaction contemplated hereby (either solely or on a proportional basis). The Company will also pay promptly all taxes and assessments which may be imposed upon the Equipment or for the use or operation thereof by the Company or upon the earnings arising therefrom or upon the Seller solely by reason of its holding a security interest in the Equipment and will keep at all times all and every part of the Equipment free and clear of all taxes and assessments which might in any way affect the title of the Seller or result in a lien upon any Item of Equipment; provided, however, that so long as no Event of Default, or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, the Company shall be under no obligation to pay any taxes, assessments, licenses, charges, fines or penalties of any kind so long as it is contesting in good faith and by appropriate legal proceedings such taxes, assessments, licenses, charges, fines or penalties and the nonpayment thereof does not, in the opinion of the Seller, adversely affect the property or rights of the Seller hereunder. If any such expenses, taxes, assessments, licenses, charges, fines or penalties shall have been charged or levied against the Seller directly and paid by the Seller, the Company shall reimburse the Seller on presentation of an invoice therefor; provided, however, that the Company shall not be obligated to reimburse the Seller for any expenses, taxes, assessments, licenses, charges, fines or penalties so paid unless the Seller shall have submitted notice in writing to the Company at least ten business days in advance of payment thereof.

SECTION 8. REPORTS AND INSPECTIONS.

8.1. The Company agrees that it will retain, for a period of at least three years after receipt, copies of all records received from Canadian Pacific or NAC relating to Equipment usage, maintenance, repairs and payments and that the Seller may visit and inspect, under the Company's guidance, all such records and such other records as the Company shall maintain with respect to the Equipment. Upon the written request of the Seller, the Company agrees to furnish the Seller with copies of all such records.

8.2. The Seller shall have the right, at such reasonable times as it shall deem necessary but upon not less than three business

days prior written notice, to inspect, during normal business hours, any Item of Equipment, subject to the leasehold rights of Canadian Pacific under the CP Lease.

SECTION 9. POSSESSION, USE AND MAINTENANCE.

9.1. (a) So long as the Company shall not be in default under this Agreement, the Company shall be entitled to the possession of the Equipment and shall be entitled, subject to the provisions of paragraph (d) of this Section 9.1, to maintain, amend, terminate and enter into leases of the Equipment and to permit its use by, one or more lessees or users in the United States of America (or any state thereof or the District of Columbia); provided, however, that the Equipment may be subject to the NAC Lease and the CP Lease and may be used throughout the United States, Canada and Mexico in accordance with the terms and provisions thereof so long as the Company shall not enter into any waivers or amendments with respect to either the NAC Lease or the CP Lease without the prior written consent of the Seller and provided, further, that if any lessee (other than Canadian Pacific) is a railroad or shipper having its principal place of business in Canada or intends to base the Items of Equipment to be leased thereunder in Canada, the lease shall not permit the use of such Equipment (other than occasional and intermittent use) in any Province of Canada except where the Company has provided through filing, recordation, registration or other means satisfactory to the Seller adequate protection of the Seller's security interest in such Item of Equipment and in the Seller's first lien and security interest in such lease pursuant to the Assignment (as hereinafter defined) thereof and has provided to the Seller an opinion of counsel satisfactory to the Seller to such effect. Any lease by the Company entered into pursuant to this Section 9.1 may provide for lettering or marking upon such Items for convenience of identification of the leasehold interest of such lessee therein, subject to the provisions of Section 5.2 hereof. Every such lease shall expressly subject the rights of the lessee under such lease to the rights of the Seller in respect of the Items of Equipment covered by such lease in the manner provided in Section 9.1(b) hereof.

(b) As security for the payment and performance of the obligations of the Company hereunder, the Company hereby grants a security interest in, pledges and assigns to the Seller all of its rights, title and interest in and to all rentals, and other sums payable to or receivable by the Company with respect to any lease of any Item of Equipment existing as of the date hereof (including, without limitation, the NAC Lease and the CP Lease) or entered into in the future and any guaranty of such lease obligations existing on the date hereof or entered into in the future (the "Assignment"); provided, however, that (i) except as otherwise provided below, so long as no Event of Default shall have occurred and be continuing the Company shall be entitled to collect and receive all such rentals, and other sums, and (ii) during the

continuance of any Event of Default, all such rentals, moneys and proceeds shall be paid to the Seller and applied to the payment or prepayment of the Conditional Sale Indebtedness; and provided, further that in the case of the NAC Lease and the CP Lease all rentals, and other sums payable to the Company thereunder shall be paid to the Trustee under the Trust Agreement for distribution in accordance with the terms thereof.

The Company covenants and agrees that it has caused and shall continue to cause substantially the following clause to be inserted in each lease (other than the NAC Lease or the CP Lease) entered into by it:

"It is understood that some or all of the Units of Equipment furnished the Lessee under this Lease and the Lessor's rights under this Lease may at the time of delivery to the Lessee or at some future time during the term of this Lease be subject to the terms of a conditional sale agreement, mortgage, deed of trust, equipment trust agreement, pledge or assignment or similar security arrangement. The Lessee agrees that the Units may be stenciled or marked to set forth the ownership of any such Units in the name of a mortgagee, trustee, pledgee, assignee or security holder and that this Lease and the Lessee's rights hereunder are and shall at all times be subject and subordinate to any and all rights of any mortgagee, trustee, pledgee, assignee or security interest holder. As to the Units subject hereto, this Lease and the rentals hereunder may have been assigned and may in the future be assigned to the holder, if any, of the superior lien from time to time on each Unit as determined with reference to the filings under Section 11303 of the Interstate Commerce Act, and the Lessee agrees to recognize the rights of such superior lien holder and pay the rentals hereunder to such holder in accordance with the terms of such superior lien; provided that, until notified to the contrary by any person reasonably proving to the Lessee's satisfaction that he is the assignee of this Lease and of the rentals hereunder, the Lessee is to pay all rentals to the order of the Lessor. The Lessee hereby consents to and accepts such assignments. The Lessee agrees that no claim or defense which the Lessee may have against the Lessor shall be asserted or enforced against any assignee of this Lease."

(c) Prior to entering into any lease for any Item of Equipment permitted by this Section 9.1 (other than the NAC Lease or the CP Lease), the Company shall furnish to the Seller a certificate of its President or any Vice President setting forth the identity of the proposed lessee, the term of and rate of rental payable under such proposed lease, a description of the Items of Equipment subject to such lease, a copy of the form of such lease and such other information regarding the lease and the lessee as the Seller may request.

The Seller shall not be obligated to take any steps necessary to preserve any rights in any lease assigned pursuant to the Assignment against prior parties who may be liable in connection therewith and it is expressly agreed that, anything herein contained to the contrary notwithstanding, the Company shall remain liable under such leases to which it is a party to perform all of the obligations assumed or to be assumed by it thereunder, and the Seller shall have no obligations or liability under any such lease by reason of or arising out of this assignment, nor shall the Seller be required or obligated in any manner to perform or fulfill any obligation of the Company under or pursuant to any lease, or to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times, and the Company shall and does hereby agree to indemnify and hold the Seller harmless from and against any and all liability, loss or damage which it may or might incur with respect to or arising under any such lease or the Assignment.

(d) The Company will use reasonable efforts to maintain the validity and effectiveness of all leases assigned pursuant to the Assignment, will diligently enforce its rights thereunder in accordance with the terms of such leases and except in the case of the NAC Lease and the CP Lease (in which case actions are to be taken pursuant to the Trust Agreement) will take all such action to that end as from time to time may be reasonably requested by the Seller. If any other party to any lease assigned pursuant to the Assignment shall fail to perform any act required to be performed by it thereunder or shall otherwise default in any of its obligations thereunder, the Company will give notice of such failure or default to the Seller promptly after obtaining knowledge thereof. The Company will not (i) discharge or terminate any lease assigned pursuant to the Assignment or consent to or accept or permit any discharge or termination thereof, (ii) amend, modify or otherwise change any term thereof, (iii) give any waiver, consent or approval thereunder, (iv) assign or pledge any rental or other payment due or to become due thereunder or anticipate any rental or other payment hereunder or (v) take any other action in connection therewith, if, in any such case, the effect thereof would be materially to impair the value of the Seller's interest therein or in its rights thereunder or the value of the rights therein of the Seller resulting from the Assignment created under this Section 9.1; provided, however, that nothing in this Section 9.1(d) shall prohibit the Company and/or NAC from removing any Item of Equipment from the CP Lease in accordance with the terms and provisions of Section 8(b) thereof and from thereby terminating the CP Lease as to such Item.

(e) Immediately upon entering into any lease pursuant to the terms of ~~paragraph (e)~~ of this Section 9.1, the Company agrees to execute a supplement in the form attached hereto as Schedule B and to submit such supplement to the Seller for execution. Following such execution the Company agrees to comply with the

provisions of Section 20 hereof relating to maintaining the security interest of the Seller (including, without limitation, filing with the Interstate Commerce Commission in accordance with 49 USC Section 11303) and to take such other actions as the Seller may reasonably request to assure the maintenance of such security interest.

(f) The Company hereby irrevocably constitutes and appoints the Seller, the attorney-in-fact of the Company for the purposes of exercising all rights, with respect to all leases entered into as of the date hereof or in the future with respect to any Item of Equipment, granted under this Section 9.1. Any instrument made, executed and delivered by the Seller on behalf of the Company shall be binding upon the Company and all parties claiming by, through and under the Company, with the same effect as if the Company had itself made, executed and delivered the same; provided however, that so long as no Event of Default hereunder shall have occurred and be continuing the Seller shall take no action with respect to such leases without the consent of the Company.

(g) Without limiting the foregoing, the Company hereby further covenants that it will, upon the written instruction of the Seller, execute and deliver such further instruments and do and perform such other acts and things as the Seller or its assigns may reasonably deem necessary or appropriate to effectively invest in and secure to the Seller and its assigns the interests assigned pursuant to this Section 9.1 or other rights or interests due or hereafter to become due.

9.2. The Company shall use, and shall use reasonable efforts to cause others to use, the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Company shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. Except as otherwise permitted under the NAC Lease and the CP Lease, the Company shall not modify, and will use reasonable efforts to prevent others from modifying, any Item of Equipment without the written authority and approval of the Seller which approval shall not be unreasonably withheld, provided that no such approval shall be necessary if and to the extent such modification is required by Section 11 hereof.

SECTION 10. PROHIBITION AGAINST LIENS.

10.1. The Company will pay or satisfy and discharge any and all sums claimed by any party by, through or under the Company or its successors or assigns which, if unpaid, might become a lien or a charge upon any Item of Equipment equal or superior to the security interest of the Seller, and any liens, encumbrances or charges which might be levied against or imposed upon any Item of Equipment as a result of the failure of the Company to perform or observe any of its covenants or agreements under this Agreement, but so long as no Event of Default, or event which with the lapse

of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, shall not be required to pay or discharge any such claim so long as the validity thereof shall be contested by the Company in good faith and by appropriate legal proceedings in any reasonable manner and the nonpayment thereof does not, in the sole opinion of the Seller, adversely affect the property or rights of the Seller hereunder.

10.2. This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, or other liens arising in the ordinary course of business and, mechanics', workmen's, repairmen's or other liens arising in the ordinary course of business and, in each case, not delinquent.

SECTION 11. RULES, LAWS AND REGULATIONS.

During the term of this Agreement the Company will comply, and will use reasonable efforts to cause others to comply, in all respects with all laws of the jurisdictions in which its operations involving the Equipment may extend, with the Interchange Rules of the Association of American Railroads and with all lawful rules of the United States Department of Transportation and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules affect the operation or use of the Equipment; and in the event that such laws or rules require the alteration of the Equipment, the Company will conform, and will use reasonable efforts to cause others to conform, therewith at its expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that so long as no Event of Default, or event which with the lapse of time or giving of notice, or both, would constitute an Event of Default, shall have occurred and be continuing, the Company may, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the sole opinion of the Seller, adversely affect the property or rights of the Seller hereunder.

SECTION 12. INDEMNITIES.

The Company agrees, promptly upon demand by the Seller, to indemnify, protect and hold harmless the Seller against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof (other than as a result of the Seller's gross negligence or wilful misconduct), and reasonable expenses in connection therewith, including claims for strict liability in tort and counsel fees, arising out of retention by the Seller of a security interest in the Equipment, or out of the use and operation thereof during the period when the security interest therein remains in the Seller. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Purchase

Price of the Equipment and the conveyance of the Equipment, as provided in Section 4.2 hereof, or the termination of this Agreement in any manner whatsoever.

SECTION 13. DISCLAIMER OF WARRANTIES.

THE SELLER OFFERS THE EQUIPMENT FOR SALE AS-IS, IN WHATEVER CONDITION IT MAY BE, WITHOUT ANY AGREEMENT, WARRANTY OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, BY THE SELLER, EXPRESSLY DISCLAIMING ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE EQUIPMENT, OR (C) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE SELLER AND THE COMPANY, ARE TO BE BORNE BY THE COMPANY. The Seller hereby appoints and constitutes the Company its agent and attorney-in-fact during the term of this Agreement to assert and enforce, from time to time, in the name and for the account of the Seller and the Company, as their interests may appear, but in all cases at the sole cost and expense of the Company, whatever claims and rights may exist against the manufacturer of the Equipment or any vendor of any part or component constituting a replacement or improvement thereto provided that in any instance in which the Company proposes to utilize the name of the Seller in connection with any action of assertion or enforcement, such use of the Seller's name shall have been approved in writing by Seller in each such instance, which approval the Seller agrees will not be unreasonably withheld; and provided, further however, that if at any time an Event of Default shall have occurred and be continuing, the Seller may assert and enforce, at the Company's sole cost and expense and for the sole account of the Seller, such claims and rights. The Seller shall have no responsibility or liability to the Company or its successors or assigns with respect to any of the following unless caused by Seller's willful misconduct: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment. Acceptance of any Item of Equipment by Canadian Pacific under the CP Lease shall be conclusive evidence as between the Company and the Seller that all Items of Equipment described therein are in all the foregoing respects satisfactory to the Company, and the Company will not assert any claim of any nature whatsoever against the Seller based on any of the foregoing matters.

SECTION 14. ASSIGNMENTS.

14.1. Except as otherwise provided in Section 9.1 hereof, the Company will not sell, assign, transfer or otherwise dispose

of its rights under this Agreement or transfer the right to possession of any Item of Equipment without first obtaining the written consent of the Seller; provided that no lease pursuant to Section 9 hereof (including any lease with a nominal or other purchase option, so long as the lessee thereunder agrees that any interest in the Equipment so purchased will be subject to the first security interest of the Seller hereunder) shall violate the restriction of this Section 14; and provided further, that the Company may conditionally sell its interest in the Equipment to a third party so long as prior written notice of such sale designating the identity and mailing address of such purchaser shall be given to the Seller and the Equipment and the interest of the conditional purchaser therein shall remain subject to the first security interest of the Seller created hereby and the Company shall not be relieved of any of its obligations or liabilities hereunder.

14.2. All or any of the rights, benefits and advantages of the Seller under this Agreement, including the right to receive the payments herein provided to be made by the Company, may be assigned by the Seller and reassigned by an assignee at any time or from time to time. No such assignment shall relieve the Company of its obligations to the Seller hereunder.

14.3. Upon any such assignment either the assignor or the assignee shall give written notice to the Company, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall, by virtue of such assignment, acquire the Seller's security interest in and to the Equipment subject only to such reservations as may be contained in such assignment. From and after the receipt by the Company of the notification of any such assignment, all payments thereafter to be made by the Company hereunder shall, to the extent so assigned, be made to the assignee at the address of the assignee specified in the aforesaid notice.

SECTION 15. DEFAULTS.

15.1. In the event that any one or more of the following events of default ("Events of Default") shall occur and be continuing, to-wit:

- (a) There shall be due and unpaid by the Company hereunder at any time an amount which is in excess of the sum of (i) \$60,300 plus (ii) an amount equal to the aggregate principal amount of all - partial prepayments of Conditional Sale Indebtedness made by the Company prior to such time (other than prepayments resulting from application of settlements for destroyed Items), and such default shall continue for ten days after written notice by the Seller to the Company advising of such default and demanding payment thereof; or

(b) The total amount of the Conditional Sale Indebtedness, plus all accrued interest thereon, shall not have been paid in full hereunder on or prior to ~~March~~ ^{April} 1, 1997; or

(c) The Company shall suffer a violation of, fail or refuse to comply with any other covenant, agreement, term or provision of this Agreement or the Closing Agreement on its part to be kept and performed or to make provision satisfactory to the Seller for such compliance for more than 30 days after written notice from the Seller specifying the default and demanding the same to be remedied; provided that in the case of any such sufferance of a violation, if the Company has not caused such violation and has used reasonable efforts to cause the same to be remedied by any party causing such violation, such sufferance shall not constitute an event of default unless the Seller, in its reasonable opinion, deems such violation to constitute a material impairment of its rights hereunder or in the Equipment; or

(d) Any representation or warranty made by the Company herein or in any statement or certificate furnished to the Seller pursuant to or in connection with this Agreement or the Closing Agreement proves untrue in any material respect as of the date of issuance or making thereof and continues to be untrue; or

(e) The Company commences a voluntary case under any bankruptcy law or similar law for relief of debtors or consents to the appointment of a custodian, trustee or receiver for the Company or the major part of its property or makes an assignment for the benefit of its creditors, or enters into an agreement of composition with its creditors; or

(f) A custodian, trustee or receiver is appointed for the Company or the major part of its property and is not discharged within 30 days after such appointment; or

(g) A decree or order for relief by a court having jurisdiction in respect of the Company is entered in an involuntary case under any bankruptcy law or similar law for the relief of debtors and such decree or order shall remain unstayed and in effect for 30 days following such entry, or bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Company, and if

instituted against the Company are consented to or are not dismissed within 30 days after such institution; or

(h) The Company shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any Item of Equipment;

then at any time after the occurrence and during the continuance of such an Event of Default the Seller may, upon written notice to the Company and upon compliance with any legal requirements then in force and applicable to such action by the Seller, declare the entire indebtedness in respect of the Purchase Price of the Equipment, together with the interest thereon then accrued and unpaid, immediately due and payable, without further demand, and thereafter the aggregate of the unpaid balance of such indebtedness and interest shall bear interest from the date of such declaration at the rate of 18% per annum, to the extent legally enforceable, and the Seller shall thereupon be entitled to recover judgment for the entire unpaid balance of the indebtedness in respect of the Purchase Price of the Equipment so payable, with interest as aforesaid, and to collect such judgment, but only to the extent provided in Section 17 hereof.

15.2. The Seller may waive any such Event of Default and its consequences and rescind and annul any such declaration only by notice to the Company in writing to that effect. Upon any such waiver the respective rights of the parties shall be as they would have been if no such default had existed and no such declaration had been made. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Company that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

SECTION 16. REMEDIES.

16.1. If an Event of Default shall have occurred and be continuing as hereinbefore provided, then at any time after the entire indebtedness in respect of the Purchase Price of the Equipment shall have been declared immediately due and payable as hereinbefore provided and during the continuance of such default, the Seller may, upon such further notice, if any, as may be required for compliance with any mandatory requirements of law then in force and applicable to the action to be taken by the Seller and so long as the action to be taken is within that then permitted by applicable law, take or cause to be taken by its agent or agents immediate possession of the Equipment, or any Item thereof, without liability to return to the Company any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Section 16 expressly provided, and may remove the same from possession and use of the Company and for such purpose may enter upon the premises of the Company or where the Equipment may be located and may use and

employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or means of the Company, with or without process of law.

16.2. If an Event of Default shall have occurred and be continuing as hereinbefore provided, in case the Seller shall demand possession of the Equipment in pursuance of this Agreement and shall reasonably designate an interchange point between Canadian Pacific and a United States railroad (or at such other point as the Company and the Seller shall mutually agree) for the delivery of the Equipment to the Seller, the Company shall, at its own expense, forthwith and in the usual manner, cause the Equipment to be moved to such point or points as shall be reasonably designated by the Seller and shall there deliver the Equipment or cause it to be delivered to the Seller; and, at the option of the Seller, the Company will at its expense appropriately store, insure and maintain the Equipment at any point or points reasonably selected by the Seller until the Seller shall have leased, sold or otherwise disposed of the same. The agreement to deliver the Equipment as hereinbefore provided is of the essence of this Agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Seller shall be entitled to a decree against the Company requiring specific performance hereof. The Company hereby expressly waives any and all claims against the Seller and its agent or agents for damages of whatever nature in connection with any retaking of any Item of Equipment in conformance with Section 16.1 hereof.

16.3. If, after an Event of Default, the Seller delivers to the Company the written notification specified in Section 9-505(2) of the Illinois Uniform Commercial Code and if the Company objects to the Seller retaining the Equipment as provided therein; then, notices mailed to not more than ten railcar leasing companies specifying the time, place and terms of a private sale of the Collateral to be held not more than 45 nor less than 30 calendar days after the mailing of such notices shall constitute adequate notice of such private sale; provided that, if at the time of such Company objection, the Company specifies the names and addresses of five railcar leasing companies to which it desires notice of sale to be provided, then the Seller will include all five such companies in the sale notification. The Seller is hereby authorized to sell the Equipment to the highest bidder at such private sale provided such bidder pays either all cash or a minimum 10% downpayment in cash with the balance being due in 10 calendar days after such sale, time being of the essence hereof. If such payments are not made when due, then any deposit received may be credited on the indebtedness secured by the Equipment (including the expenses of sale) in the manner specified in Section 16.5 hereof, and the second highest bidder shall then have a period of 10 days to pay the full amount of its bid in cash, time being of the essence hereof. If the second highest bidder does not make the payment required in the immediately preceding sentence, or (if there be no second highest bidder) following a default by the initial highest bidder in making the payment when due herein; then

in either event the Seller shall have the option to declare the sale null and void and to conduct a new sale meeting the requirements of this Section 16.3 as though the earlier sale had not occurred. The Seller is hereby authorized to bid at any such private sale, but Seller shall be entitled to a credit against the amounts due Seller hereunder in lieu of a cash payment with respect to any amount bid by Seller at such sale. All notices, terms and other aspects of any private sale conforming to the requirements of this Section 16.3 are hereby declared to be commercially reasonable in all respects and otherwise acceptable to the Company in all respects.

16.4. If the Company after receipt of the written notification specified in Section 9-505(2) of the Illinois Uniform Commercial Code does not object to the Seller retaining the Equipment within the period of time specified in such Section or waives in writing all objections to such retention; then, the Seller shall automatically become the absolute owner of the Equipment, and the Company shall immediately deliver to the Seller such documentation as the Seller shall deem necessary or proper to evidence such fact.

16.5. In the event Seller without proceeding under Section 9-~~505~~(2) of the Illinois Uniform Commercial Code proceeds directly to a private sale pursuant to Section 9-504(3) of the Illinois Uniform Commercial Code, then notices and a private sale (including the terms thereof) satisfying the requirements of Section 16.3 hereof shall constitute a commercially reasonable notice and private sale (including the terms thereof) pursuant to said Section 9-504(3) of the Illinois Uniform Commercial Code.

16.6. The proceeds of any sale or retention pursuant to any provision of Section 16 hereof shall be disbursed in accordance with the provisions of Section 9-504(1) of the Illinois Uniform Commercial Code except that any application of such proceeds to the principal or interest portion of the secured indebtedness shall be first applied to principal and then to interest except to the extent that the Seller elects a different manner of applying such principal or interest.

16.7. With regard to the pledge and assignment to the Seller pursuant to Section 9.1 hereof of the Company's rights, titles or interests in and to the CP Lease, the NAC Lease and all other leases in respect of the Equipment, the Company hereby agrees that the Seller shall not have any obligation to preserve such rights, titles or interests against prior parties. The Company hereby waives any or all rights it may have as a result of any and all actions taken by or on behalf of the Seller for the purpose of preserving its rights, titles or interests in and to the CP Lease, the NAC Lease, all other said leases or the Equipment or the value of any of the foregoing collateral securing this Agreement or taken pursuant to the order of a court of competent jurisdiction and all such actions or failures to act are hereby authorized either by the Seller or by the Trustee under the Trust Agreement.

16.8. Each and every power and remedy hereby specifically given to the Seller shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Seller. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Seller in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein.

16.9. The Company will pay all reasonable expenses, including attorneys' fees, incurred by the Seller in enforcing its remedies under the terms of this Agreement. In the event that the Seller shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Seller may recover reasonable expenses, including attorneys' fees and the amount thereof shall be included in such judgment.

16.10. The foregoing provisions of this Section are subject in all respects to all mandatory requirements of law at the time in force and applicable thereto.

SECTION 17. LIMITATIONS OF LIABILITY.

Except as otherwise provided in Sections 2.5 and 10 hereof (the undertakings in which sections shall constitute an obligation of the Company incurred in its individual corporate capacity), anything in this Conditional Sale Agreement to the contrary notwithstanding, in any action commenced to enforce the obligations of the Company created or arising under this Conditional Sale Agreement, any judgment thereunder shall be enforceable against the Company, its successors and assigns, only to the extent of their interest in the Equipment and any rents or other proceeds thereof including, without limitation, proceeds from any sale or disposition of the Equipment, insurance proceeds or other casualty settlements in respect thereof and the rentals and other sums payable under the NAC Lease (including the prorated portion of rental and other sums payable in respect of the Equipment under the CP Lease) or any other leases in respect of the Equipment (the "Collateral"). In limiting enforcement of any judgment obtained in connection with the obligations of the Company created or arising hereunder to the extent of such interest in the Equipment and any proceeds thereof, Seller agrees for itself and any successor assignee thereof that (i) it shall have no claim, remedy or right to proceed against the Company in its individual corporate capacity or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director of the Company, (ii) the Seller may, in enforcing any such judgment, realize upon no other assets of the Company other than the Collateral, and (iii) such realization upon the Collateral by the Seller shall legally offset all obligations of the Company hereunder.

SECTION 18. APPLICABLE STATE LAWS.

18.1. Any provision of this Agreement prohibited by any applicable law of any state, or which by any applicable law of any state would convert this Agreement into any instrument other than an agreement of conditional sale, shall as to such state be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any applicable state law may be waived, they are hereby waived by the Company and the Seller to the full extent permitted by law, to the end that this Agreement shall be deemed to be a conditional sale agreement and enforced as such.

18.2. Except as otherwise provided in this Agreement, the Company, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell the Equipment, or any Item thereof, and any other requirements as to the time, place and terms of sale thereof, and other requirements with respect to the enforcement of the Seller's rights hereunder and any and all rights of redemption.

SECTION 19. EXTENSION NOT A WAIVER.

No delay or omission in the exercise of any power or remedy herein provided or otherwise available to the Seller shall impair or affect the Seller's right thereafter to exercise the same. Any extension of time for payment hereunder or other indulgence duly granted to the Company shall not otherwise alter or affect the Seller's rights or the obligations of the Company hereunder. The Seller's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Company's obligations or the Seller's rights hereunder with respect to any subsequent payments or defaults therein.

SECTION 20. RECORDING.

The Company will cause this Agreement, any assignment hereof and any supplements hereto and thereto to be filed, recorded or deposited and re-filed, re-recorded or re-deposited, if necessary, with the Interstate Commerce Commission, and otherwise as may be required by law or reasonably requested by the Seller for the purpose of proper protection, to the satisfaction of counsel for the Seller of its security interest in the Equipment and its rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Company will promptly furnish to the Seller certificates or other evidences of such filing, recording or depositing, and an opinion or opinions of counsel for the Company with respect thereto, satisfactory to the Seller.

SECTION 21. NOTICE.

Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed to it at the following specified addresses:

(a) to the Company: EMC OB, INC., c/o
Emons Industries, Inc., 327 South LaSalle
Street, Suite 1000, Chicago, Illinois 60604,
with a copy to: Emons Industries, Inc., 490 East
Market Street, York, Pennsylvania 17403;

(b) to the Seller: Jefferson Standard
Life Insurance Company, P. O. Box 21008, Greensboro,
North Carolina 27420, Attention: Securities
Service Division;

or to any other assignee of the Seller, or of the Company, at address as may have been furnished in writing to the Company or the Seller, as the case may be, by such assignee, or at such other address as may have been furnished in writing by such party to the other parties to this Agreement.

SECTION 22. HEADINGS.

All section headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

SECTION 23. EFFECT AND MODIFICATION OF AGREEMENTS.

This Agreement and the Schedules relating hereto, exclusively and completely state the rights and agreements of the Seller and the Company with respect to the Equipment and supersede all other agreements, oral or written, with respect to the Equipment. No variation of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and duly executed on behalf of the Seller and the Company.

SECTION 24. LAW GOVERNING.

The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 USC Section 11303 and such additional rights arising out of the filing, recording or depositing hereof and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

SECTION 25. PAYMENT OF EXPENSES.

The Company will pay all stamp or other taxes, if any, incident to, and the reasonable cost and expense of, the printing or other duplicating, execution, acknowledgment, delivery, filing or recording of this Agreement or of any instrument supplemental to or amendatory of this Agreement and of any certificate of the payment in full of the indebtedness in respect of Purchase Price due hereunder. The Company will also pay the reasonable fees and disbursements of counsel for the Seller in connection with the transaction contemplated hereby.

SECTION 26. CONSOLIDATION OR MERGER; SALE OF EQUIPMENT.

Except as permitted by Section 14.1 hereof, the Company shall not, so long as any Conditional Sale Indebtedness or interest thereon shall remain unpaid, consolidate with or merge into any other party, or sell the Equipment to any party without the prior written consent of the Seller; provided, however, that nothing in this Section 26 shall prohibit the consolidation for tax and financial reporting purposes of the Company with any other entity.

SECTION 27. LIMITED SCOPE OF BUSINESS.

The business of the Company has heretobefore been and, so long as any Conditional Sale Indebtedness or interest thereon shall remain unpaid, will be limited to the acquisition and leasing of the Equipment. The Company has not and will not incur any indebtedness for borrowed money except indebtedness hereunder and in connection with the maintenance of the Equipment or in connection with the transfer of its interest in the Equipment permitted by Section 14.1 hereof.

SECTION 28. FINANCIAL STATEMENTS; INSPECTION RIGHTS.

The Company has delivered to the Seller copies of an unaudited balance sheet and income statement evidencing the current financial condition of the Company. Such statements were prepared in accordance with generally accepted accounting principles and fairly represent the present financial condition of the Company and its operations for the periods therein specified. Since the date of such statement there has been no material adverse change in the financial or other condition of the Company.

So long as any Conditional Sale Indebtedness or interest thereon shall remain unpaid under the Conditional Sale Agreement, the Company agrees that it will furnish to the Seller the following:

- (a) As soon as available and in any event within 60 days after the end of each quarterly

period, except the last, of each fiscal year, a balance sheet of the Company as at the end of such period and a statement of income and retained income of the Company for the period beginning on the first day of such fiscal year and ending on the date of such balance sheet, the income statement setting forth increases and decreases from the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail and certified by the Treasurer, Controller or principal financial officer of the Company;

(b) As soon as available and in any event within 120 days after the last day of each fiscal year, a copy of the Company's annual report to stockholders, including balance sheet, income statement and statement of retained income of the Company, which statements will have been certified by the Treasurer, Controller or principal financial officer of the Company;

(c) Within the period provided in subparagraph (b) above, a certificate, signed by the Treasurer, Controller or principal financial officer of the Company, to the effect that the signer thereof is familiar with the terms and provisions of the Conditional Sale Agreement and that at the date of said certificate is not aware of any default in compliance by the Company with any of the covenants, terms and provisions of the Conditional Sale Agreement, or if the signer is aware of any such default, he shall disclose in such certificate the nature thereof and the nature of the action the Company is taking or proposes to take with respect thereto;

(d) As soon as available, copies of all 10-K and 10-Q Reports as Emons Industries shall furnish to the Securities and Exchange Commission or successor agency and such financial statements, reports and proxy statements as Emons Industries shall furnish to its stockholders; and

(e) Such additional information as the Seller may reasonably request concerning the Company or Emons Industries.

So long as any Conditional Sale Indebtedness or interest thereon shall remain unpaid under the Conditional Sale Agreement, the Company agrees to permit the Seller to visit and inspect by its officers or other authorized representatives or agents, under the Company's guidance, the records or books of account of the Company and to make copies thereof, all at such reasonable times and as often as the Seller may desire. The expense of any such inspection and reproduction of records shall be borne by the Seller.

SECTION 29. EXECUTION.

This Agreement may be executed in any number of counterparts, all of which together shall constitute a single instrument. It shall not be necessary that any counterpart be signed by all of the parties hereto so long as at least one counterpart is signed by each party hereto. Although this Agreement is dated for convenience as of the date first above written, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by their officers or representatives, thereunto duly authorized, and their respective corporate seals to be hereunto affixed, duly attested, all as of the date first above written.

EMCOB, INC.

(Corporate Seal)

Attest:

Michael W. Fann
Asst Secretary

By

John A. Schump
Its Vice President

JEFFERSON STANDARD LIFE INSURANCE
COMPANY

(Corporate Seal)

Attest:

William J. Coe
Asst Secretary

By

George A. Gacy Jr.
Its VICE-PRESIDENT

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 29th day of December, 1981, before me personally appeared John H. Rubel, to me personally known, who being by me duly sworn, says that he is a Vice President of EMCOB, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(Seal)

Teresa A. Schultz
Notary Public

My Commission Expires: NOTARY PUBLIC STATE OF ILLINOIS
 MY COMMISSION EXPIRES MAY 16 1983
 ISSUED THRU ILLINOIS NOTARY ASSOC.

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 29th day of December, 1981, before me personally appeared George A. Garey Jr., to me personally known, who being by me duly sworn, says that he is a Vice President of JEFFERSON STANDARD LIFE INSURANCE COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(Seal)

Teresa A. Schultz
Notary Public

My Commission Expires: NOTARY PUBLIC STATE OF ILLINOIS
 MY COMMISSION EXPIRES MAY 16 1983
 ISSUED THRU ILLINOIS NOTARY ASSOC.

DESCRIPTION OF EQUIPMENT	75 50'6" 70-ton type boxcars
ORIGINAL CAR MARKS AND NUMBERS	MNJ 120618 through 120692, both inclusive
NEW CAR MARKS AND NUMBERS	CPAA 204614 through 204688, both inclusive
PURCHASE PRICE	\$16,641.61 per item (\$1,248,120.75 for 75 items)
OUTSIDE DELIVERY DATE TO CANADIAN PACIFIC	February 28, 1982 (or such other date as the parties hereto shall agree)

SCHEDULE A
(to Conditional Sale Agreement)

SUPPLEMENT NO. _____
TO
CONDITIONAL SALE AGREEMENT

This Supplement No. _____ is dated as of _____ and is entered into by EMCOB, INC. (the "Company") and JEFFERSON STANDARD LIFE INSURANCE COMPANY (the "Seller").

The Company and the Seller have entered into a Conditional Sale Agreement dated as of December 1, 1981 (as heretofore supplemented, the "Conditional Sale Agreement").

Unless otherwise defined herein, the capitalized terms used herein are used with the respective meanings specified in the Conditional Sale Agreement.

The Company and the Seller now wish to supplement the Conditional Sale Agreement for the purpose of extending the Assignment provided for in Section 9.1 of the Conditional Sale Agreement to the leases described in Exhibit 1 hereto (the "Additional Leases"), if any.

NOW THEREFORE, the Company and the Agent agree that from and after the date hereof the Conditional Sale Agreement shall be supplemented so that the Additional Leases shall be confirmed as assigned pursuant to Section 9.1 thereof.

This Supplement shall be construed in connection with and as a part of the Conditional Sale Agreement, and all terms, conditions and covenants contained in the Conditional Sale Agreement, as hereby supplemented, shall remain in full force and effect.

This Supplement may be executed in any number of counterparts, each executed counterpart constituting an original but altogether one and the same instrument.

EMCOB, INC.

By _____
Its _____

JEFFERSON STANDARD LIFE INSURANCE
COMPANY

By _____
Its _____

STATE OF _____)
) SS
COUNTY OF _____)

On this ____ day of _____, 19__, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a _____ of EMCOB, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

Notary Public

[NOTARIAL SEAL]

My Commission Expires:

)
) SS
)

On this ____ day of _____, 19__, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a _____ of JEFFERSON STANDARD LIFE INSURANCE COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[NOTARIAL SEAL]

My Commission Expires:

DESCRIPTION OF LEASES

Name and Address of Lessee:

Date of Lease:

Expiration Date of Lease:

Description of Equipment
(including AAR Designation):

Quantity:

Identifying Mark and Numbers
of Equipment:

Rental Period:

Rent Per Period:

ICC Filing Number & Date of Lease:
(or indicate no ICC filing of
Lease, if appropriate)

AMORTIZATION SCHEDULE

PUT AT END

n= 180.00
 i= 1.500 %
 PMT=# 268.00
 PV=# -16641.61
 FV=# 0.00

P PRINCIPAL INTEREST BALANCE

1	-18.38	-249.62	-16623.23
2	-18.65	-249.35	-16604.58
3	-18.93	-249.07	-16585.65
4	-19.22	-248.78	-16566.43
5	-19.50	-248.50	-16546.93
6	-19.80	-248.20	-16527.13
7	-20.09	-247.91	-16507.04
8	-20.39	-247.61	-16486.65
9	-20.70	-247.30	-16465.95
10	-21.01	-246.99	-16444.94
11	-21.33	-246.67	-16423.61
12	-21.65	-246.35	-16401.96
13	-21.97	-246.03	-16379.99
14	-22.30	-245.70	-16357.69
15	-22.63	-245.37	-16335.06
16	-22.97	-245.03	-16312.09
17	-23.32	-244.68	-16288.77
18	-23.67	-244.33	-16265.10
19	-24.02	-243.98	-16241.08
20	-24.38	-243.62	-16216.70
21	-24.75	-243.25	-16191.95
22	-25.12	-242.88	-16166.83
23	-25.50	-242.50	-16141.33
24	-25.88	-242.12	-16115.45
25	-26.27	-241.73	-16089.18
26	-26.66	-241.34	-16062.52
27	-27.06	-240.94	-16035.46
28	-27.47	-240.53	-16007.99
29	-27.88	-240.12	-15980.11
30	-28.30	-239.70	-15951.81
31	-28.72	-239.28	-15923.09
32	-29.15	-238.85	-15893.94
33	-29.59	-238.41	-15864.35
34	-30.03	-237.97	-15834.31
35	-30.49	-237.51	-15803.83
36	-30.94	-237.06	-15772.89
37	-31.41	-236.59	-15741.48
38	-31.88	-236.12	-15709.60
39	-32.36	-235.64	-15677.24
40	-32.84	-235.16	-15644.40
41	-33.33	-234.67	-15611.07
42	-33.83	-234.17	-15577.24
43	-34.34	-233.66	-15542.90
44	-34.86	-233.14	-15508.04
45	-35.38	-232.62	-15472.66
46	-35.91	-232.09	-15436.75
47	-36.45	-231.55	-15400.30
48	-37.00	-231.00	-15363.30

SCHEDULE C
 (to Conditional Sale Agreement)

49	-37.50	-230.45	-15325.75
50	-38.11	-229.89	-15287.64
51	-38.69	-229.31	-15248.95
52	-39.27	-228.73	-15209.68
53	-39.85	-228.15	-15169.83
54	-40.45	-227.55	-15129.38
55	-41.06	-226.94	-15088.32
56	-41.68	-226.32	-15046.64
57	-42.30	-225.70	-15004.34
58	-42.93	-225.07	-14961.41
59	-43.58	-224.42	-14917.83
60	-44.23	-223.77	-14873.60
61	-44.90	-223.10	-14828.70
62	-45.57	-222.43	-14783.13
63	-46.25	-221.75	-14736.88
64	-46.95	-221.05	-14689.93
65	-47.65	-220.35	-14642.28
66	-48.37	-219.63	-14593.91
67	-49.09	-218.91	-14544.81
68	-49.83	-218.17	-14494.99
69	-50.58	-217.42	-14444.41
70	-51.33	-216.67	-14393.08
71	-52.10	-215.90	-14340.98
72	-52.89	-215.11	-14288.09
73	-53.68	-214.32	-14234.41
74	-54.48	-213.52	-14179.93
75	-55.30	-212.70	-14124.63
76	-56.13	-211.87	-14068.50
77	-56.97	-211.03	-14011.53
78	-57.83	-210.17	-13953.76
79	-58.69	-209.31	-13895.01
80	-59.57	-208.43	-13835.44
81	-60.47	-207.53	-13774.97
82	-61.38	-206.62	-13713.59
83	-62.30	-205.70	-13651.19
84	-63.23	-204.77	-13586.06
85	-64.18	-203.82	-13523.68
86	-65.14	-202.86	-13459.74
87	-66.12	-201.88	-13392.62
88	-67.11	-200.89	-13325.51
89	-68.12	-199.88	-13255.39
90	-69.14	-198.86	-13180.25
91	-70.18	-197.82	-13113.07
92	-71.23	-196.77	-13044.84
93	-72.30	-195.70	-12974.54
94	-73.38	-194.62	-12901.16
95	-74.48	-193.52	-12826.68
96	-75.60	-192.40	-12751.08

97	-76.73	-191.27	-12674.35
98	-77.88	-190.12	-11596.47
99	-79.05	-188.95	-12517.42
100	-80.24	-187.76	-12437.18
101	-81.44	-186.56	-12355.74
102	-82.66	-185.34	-12273.08
103	-83.90	-184.10	-12189.18
104	-85.16	-182.84	-12104.02
105	-86.44	-181.56	-12017.58
106	-87.74	-180.26	-11929.84
107	-89.05	-178.95	-11840.79
108	-90.39	-177.61	-11750.40
109	-91.74	-176.26	-11658.66
110	-93.12	-174.88	-11565.54
111	-94.52	-173.48	-11471.02
112	-95.93	-172.07	-11375.09
113	-97.37	-170.63	-11277.72
114	-98.83	-169.17	-11178.89
115	-100.32	-167.68	-11078.57
116	-101.82	-166.18	-10976.75
117	-103.35	-164.65	-10873.10
118	-104.90	-163.10	-10768.50
119	-106.47	-161.53	-10662.03
120	-108.07	-159.93	-10553.96
121	-109.69	-158.31	-10444.27
122	-111.34	-156.66	-10332.93
123	-113.01	-154.99	-10219.92
124	-114.70	-153.30	-10105.22
125	-116.42	-151.58	-9988.80
126	-118.17	-149.83	-9870.63
127	-119.94	-148.06	-9750.69
128	-121.74	-146.26	-9628.95
129	-123.57	-144.43	-9505.32
130	-125.42	-142.58	-9379.96
131	-127.30	-140.70	-9252.86
132	-129.21	-138.79	-9124.01
133	-131.15	-136.85	-8992.50
134	-133.12	-134.88	-8859.10
135	-135.11	-132.89	-8724.07
136	-137.14	-130.86	-8586.93
137	-139.20	-128.80	-8447.73
138	-141.28	-126.72	-8306.45
139	-143.40	-124.60	-8163.05
140	-145.55	-122.45	-8017.50
141	-147.74	-120.26	-7869.76
142	-149.95	-118.05	-7719.81
143	-152.20	-115.80	-7567.61
144	-154.49	-113.51	-7413.12

145	-156.80	-111.20	-7256.32
146	-159.16	-108.84	-7097.16
147	-161.54	-106.46	-6935.62
148	-163.97	-104.03	-6771.65
149	-166.43	-101.57	-6605.22
150	-168.92	-99.08	-6436.30
151	-171.46	-96.54	-6264.84
152	-174.03	-93.97	-6090.81
153	-176.64	-91.36	-5914.17
154	-179.29	-88.71	-5734.88
155	-181.98	-86.02	-5552.90
156	-184.71	-83.29	-5368.19
157	-187.48	-80.52	-5180.71
158	-190.29	-77.71	-4990.42
159	-193.14	-74.86	-4797.28
160	-196.04	-71.96	-4601.24
161	-198.98	-69.02	-4402.26
162	-201.97	-66.03	-4200.29
163	-205.00	-63.00	-3995.29
164	-208.07	-59.93	-3787.22
165	-211.19	-56.81	-3576.03
166	-214.36	-53.64	-3361.62
167	-217.57	-50.43	-3144.10
168	-220.84	-47.16	-2923.26
169	-224.15	-43.85	-2699.11
170	-227.51	-40.49	-2471.60
171	-230.93	-37.07	-2240.67
172	-234.39	-33.61	-2006.28
173	-237.91	-30.09	-1768.37
174	-241.47	-26.53	-1526.90
175	-245.10	-22.90	-1281.80
176	-248.77	-19.23	-1033.03
177	-252.50	-15.50	-780.53
178	-256.29	-11.71	-524.24
179	-260.14	-7.86	-264.10
180	-264.04	-3.96	-0.06

TOTALS FOR PERIODS 1 TO 180 :

	PRINCIPAL	INTEREST	BALANCE
	-16641.55	-31598.45	-0.06